

AR19

Canfor Investments Ltd.



Annual Report
1979

Directors' report to the shareholders

We take pleasure in presenting to the shareholders of Canfor Investments Ltd. (the 'Company') this fifth annual report covering the twelve month period ended December 31, 1979. Net earnings for the period were \$24,383,000 which represents a significant gain from the corresponding 1978 figure of \$7,953,000. This gain is primarily attributable to improved pulp and paper markets which greatly increased the net earnings of the Joint Venture Companies, and to higher earnings by Versatile Cornat Corporation.

Net earnings in 1979 were also favourably affected by the after-tax gain of \$1,459,000 realized on the previously-reported disposal of the Company's investment in Credit Foncier Franco-Canadien. The disposal of these shares did not impair the asset coverage condition attached to the preference shares of the Company. There were no other changes during the year in the Company's direct investments.

Versatile Cornat Corporation

Versatile Cornat's 1979 results were very gratifying. Consolidated revenues in 1979 increased by 37 per cent to \$416,917,000 from the 1978 level of \$304,242,000. Versatile Cornat's consolidated net earnings after provision for preferred dividends also showed a sizable gain, increasing to \$23,520,000 in 1979 compared to \$9,297,000 in 1978, and the Company's equity share of the 1979 earnings was \$11,207,000 versus \$4,560,000 last year. The year-to-year improvement in these results was augmented by the increase from 38.8 per cent to 100 per cent in Versatile Cornat's ownership of the former Versatile Manufacturing Ltd. which took place in mid 1978. However, foreign exchange was a negative factor in 1979 rather than a positive factor as it was in 1978.

Commencing with the third quarter of 1979, Versatile Cornat increased its regular quarterly dividend from 10 cents per common share to

15 cents per share and the current annual rate is therefore 60 cents per share compared to the actual rate of 50 cents per share in 1979.

Versatile Cornat's agricultural division made a major contribution to the improved 1979 results with sales and earnings rising to record levels in response to buoyant markets for farm equipment. During 1979, further progress was made in penetrating international farm implement markets with the signing of a worldwide distribution agreement with Fiat Trattori, S.p.A., based in Turin, Italy. Also, construction of a \$27 million plant expansion in Winnipeg was begun in 1979 and by late 1980 this facility will provide increased capacity to meet the expected continued high demand for four-wheel-drive tractors and swathers.



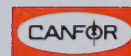
A \$27 million expansion at Versatile Manufacturing's Winnipeg plant will enable the company to fully assemble its pull and self-propelled swathers like this new model 4400.

AR19

Canfor Investments Ltd.

Interim report for
the six months
ended June 30, 1979

Canfor Investments Ltd.



affiliated with Canadian Forest Products Ltd.
Fifteenth Floor / 505 Burrard St. Vancouver B.C. V7X 1B5

President's Report to the Members

Net earnings of Canfor Investments Ltd. (the "Company") for the six months ended June 30, 1979 were \$12,817,000, representing a major increase from the depressed net earnings of \$4,419,000 for the first half of 1978. The 1979 earnings include an extraordinary gain of \$1,458,000 net of tax, resulting from the Company's previously reported disposal of its entire investment in Credit Foncier Franco-Canadien during January, 1979.

The Company's improved 1979 results reflect a strong performance by all of its investments. Versatile Cornat Corporation's revenues and earnings increased significantly as a result of buoyant markets for agricultural equipment, an active ship repair program, and higher sales of natural gas and resource exploration products. Also, Versatile Cornat's 1979 results reflect 100% ownership of the former Versatile Manufacturing Ltd., compared to 38.8% in 1978. Owing to these improved results, Versatile Cornat has increased its regular quarterly dividend from 10 cents per share to 15 cents per share, commencing with the 1979 third quarter dividend.

The Joint Venture Companies, which consist of Prince George Pulp and Paper Limited, Intercontinental Pulp Company Ltd. and their subsidiaries, experienced substantially improved overall results during the first half of 1979. Most of the gain resulted from the much faster than anticipated recovery of pulp and paper markets which led to improved net mill returns. Revenues were also aided by favourable foreign exchange rates. Although prices for wood products during the first half were also at satisfactory levels, results from the Joint Ventures' lumber and veneer operations were considerably lower than in 1978. A number of factors contributed to this downturn: the startup of major new production facilities; reduced availability of rail cars which

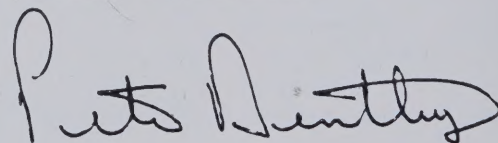
frustrated shipping programs; and significantly higher stumpage payments to the provincial government.

Yorkshire Trust Company performed well during the first six months of 1979, achieving substantially higher earnings than in 1978, despite a narrowing interest rate spread. Effective with the third quarter of 1979, Yorkshire's quarterly dividend will increase to 30 cents per share from the previous rate of 25 cents.

During the balance of 1979, the Company's prospects are good for maintaining the trend of improved earnings established in the first half. Versatile Cornat should benefit from the strong demand for its products and services resulting from higher grain prices and tight energy supplies, and the Joint Ventures should enjoy continued strengthening of pulp and paper markets, although this will likely be partially offset by weaker markets for wood products.

The Company's next semi-annual dividend of 27.5 cents per 11% preference share of \$5.00 par value each will be paid on October 31, 1979 to shareholders of record on October 15, 1979.

On behalf of the directors



*P.J.G. Bentley,
President
August 2, 1979*

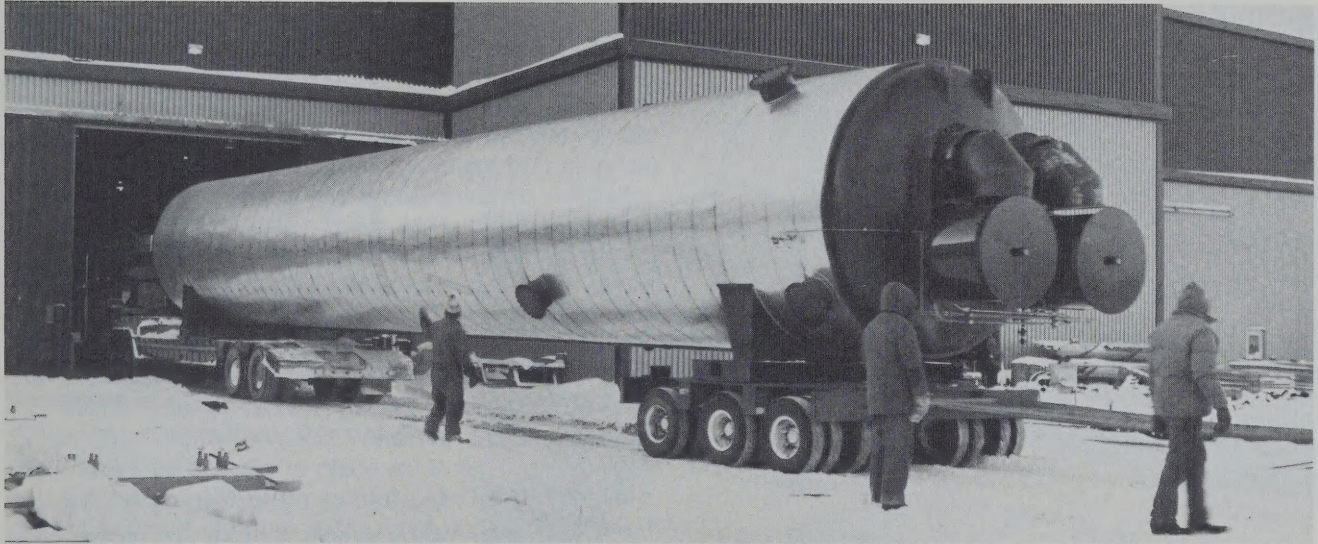
Director

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Barber Industries of Bralorne built this heavy oil treader —the first of its type in Canada—in Calgary for use in the Cold Lake and Lloydminster areas of Alberta.

Another major contributor to Versatile Cornat's 1979 results was the oil and gas related activity of Bralorne Resources Limited. Sales of this subsidiary increased by 63 per cent in 1979 relative to 1978 and net income increased by 58 per cent. These gains resulted in part from recent acquisitions in the manufacturing field and in part from internal growth in response to increased demand for natural gas and resource exploration products.

During 1979, Bralorne's accelerated gas development program increased proven gas reserves and doubled gas delivery capabilities; late in the year arrangements were made for a sizable increase in natural gas sales. The present worth of Bralorne's oil and natural gas reserves increased materially during 1979, owing to greater reserves, to higher delivery capabilities and to higher price expectations.

The 1979 marine operations of Versatile Cornat's Burrard Yarrows subsidiary maintained the satisfactory activity levels and generally good profitability of the past few years, with a strong ship repair program more than compensating for a slight decline in shipbuilding. During the year, tenders were called for a major new deepsea ship repair facility for Vancouver. Burrard Yarrows will contribute about one-third of the \$63 million cost of the facility with most of the balance coming from the federal government.

Versatile Cornat's cold storage and light manufacturing activities proceeded well in 1979. The increased demand for cold storage experienced in 1979 prompted the construction of an addition to storage capacity which will assist in maintaining satisfactory results in this area of endeavour.

The 1980 outlook for Versatile Cornat is a favourable one owing to the need in North America for greater energy self-sufficiency and to the increased worldwide demand for food resulting from rising population levels. These two trends will result in higher demand for fuel efficient farm machinery and will produce strong markets for energy and resource exploration products.

Joint Venture Companies

The Joint Venture Companies include Prince George Pulp and Paper Limited and Intercontinental Pulp Company Ltd., whose bleached kraft pulp and sack kraft paper mills are located in Prince George, British Columbia, and Takla Forest Products Limited, a company indirectly owned by Prince George Pulp and Paper and Intercontinental, which produces dimension lumber, studs, veneer, and pulp chips at a number of locations in the north central Interior of British Columbia. An affiliated company, B.C. Chemicals Ltd., of which Prince George Pulp and Paper and Intercontinental each owns 25 per cent, manufactures sodium chlorate and crude tall oil at a

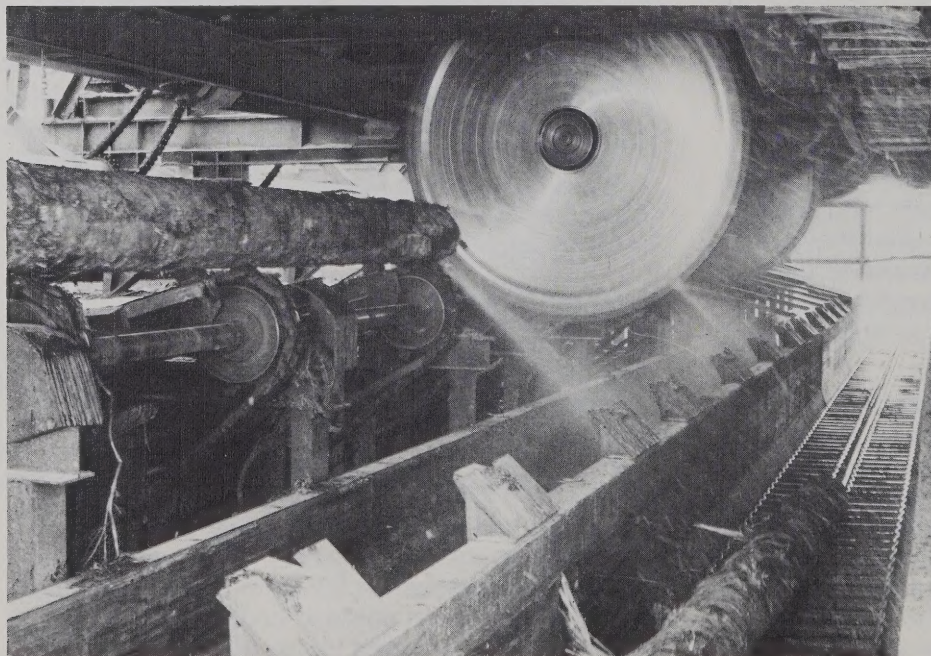
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plant near the pulp and paper mills.

The 1979 net earnings of Prince George Pulp and Paper were \$14,719,000 which represents almost a five-fold increase from the depressed 1978 earnings of \$2,950,000. Intercontinental's 1979 net earnings of \$9,153,000 were also substantially improved from the low 1978 level of \$3,396,000. Revenues for Prince George Pulp and Paper totalled \$96,180,000 in 1979, an increase of 32 per cent relative to 1978, and for Intercontinental, 1979 revenues were \$79,835,000, an increase of 37 per cent from 1978 levels. Canfor Investments' equity share in the earnings of the Joint Ventures was \$10,791,000 in 1979 compared to \$2,748,000 in 1978, an increase of nearly 300 per cent. Dividends totalling \$4,113,000 were received from the Joint Venture Companies during 1979.

Takla experienced a loss of \$2,577,000 during 1979 compared to the earnings of \$4,840,000 achieved in 1978. Takla's results are included in the net earnings of Prince George and Intercontinental on the equity basis.

B.C. Chemicals enjoyed another excellent year in 1979 and earnings increased by 29 per cent from 1978 levels.



Takla Forest Products Limited spent \$7.7 million on a centralized log processing project aimed at improving the efficiency of the mill.

The favourable overall results of the Joint Ventures during 1979 reflected the marked improvement in pulp and paper markets from the depressed levels of 1978. Together with the discounted Canadian dollar, this led to significantly higher mill net returns for pulp and paper products. On the negative side, however, combined pulp and paper production was adversely affected to some degree by production problems at Intercontinental early in the year and by labour disruptions at both mills during contract negotiations. Also, Takla's results on wood products were hindered by the construction and startup of new production facilities, by rail car shortages, by a year-end rail strike, and by stumpage rates which reached record levels in 1979 and which made no provision for the extra costs of starting up Takla's new facilities. These factors more than offset the benefits of the strong lumber markets that Takla enjoyed during 1979.

For 1980, pulp and sack kraft markets have continued on an improving trend to date and are expected to remain firm for at least the first three quarters of the year. Combined with a favourable foreign exchange rate and the expectation of satisfactory production levels, this should result in another good year for Prince George and Intercontinental.

However, lumber and veneer prices have declined sharply over the past few months, reflecting the weakened demand prompted by record high interest rates. Also, the high 1979 stumpage levels referred to previously will be slower to decline than lumber prices owing to lags built into the stumpage formula for the B.C. Interior. Thus, while Takla's productivity is on an improving trend, no significant turnaround toward a position of profitability is expected in 1980.

Yorkshire Trust Company

Yorkshire Trust Company achieved very favourable results during 1979,

recording net earnings of \$1,975,000 for the twelve months ended December 31, 1979 versus net earnings of \$1,042,000 for 1978. Revenues also increased substantially, rising to \$25,003,000 in 1979 compared to \$17,307,000 in 1978, and total assets increased by 39 per cent to \$220,572,000. The equity of Canfor Investments in the net earnings of Yorkshire Trust was \$908,000 in 1979 and \$435,000 in 1978. Effective with the third quarter of 1979, Yorkshire increased its quarterly dividend to 30 cents per share from the previous rate of 25 cents.

Yorkshire's strong 1979 results were achieved in the face of dramatically rising interest rates on deposits and a high degree of liquidity among financial institutions. This resulted in severe competition for assets and in significantly reduced interest rate spreads. For the current year, Yorkshire expects this situation to continue and will rely on its healthy financial position and its policy of carefully matching assets and liabilities to maintain growth and profitability. Particular attention will be paid to the Alberta market during 1980 and work will continue on the implementation of a computerized on-line banking system.

Purchase of Preference Shares

The terms of the preference share issue require the Company to purchase, if available, in each calendar year commencing with 1976, up to 25,000 preference shares in the open market at prices not exceeding \$5 per share plus accrued and unpaid dividends and costs of purchase. During 1979, as in previous years, no purchases were made by the Company because the shares consistently traded at prices above the \$5 per share level.

Payment of Dividends

Having maintained the Dividend Reserve Fund at the amount of \$413,000 to provide for the payment of dividends on preference shares, the Company declared and paid during 1979 dividends totalling



The addition of an on-line IBM System 34 computer facility has allowed Yorkshire Trust to develop eight new in-house systems.

\$10.804 per common share to Canadian Forest Products Ltd., which company owns 100 per cent of the common shares of Canfor Investments.

A Note of Appreciation

As the earnings of the Company depend almost entirely on the performance of its investments, we particularly wish this year to express our sincere appreciation and gratitude to the personnel of Versatile Cornat, the Joint Venture Companies and Yorkshire Trust for their outstanding efforts which contributed to the achievement of record results during 1979.

On behalf of the directors,

P.J.G. Bentley,
President
April 16, 1980
Vancouver, British Columbia

Canfor Investments Ltd.

STATEMENT OF EARNINGS

Year ended December 31

	1979	1978
Equity share of net earnings (see schedule):		
Versatile Cornat Corporation	\$11,207,000	\$ 4,560,000
Prince George Pulp and Paper Limited	7,359,000	1,475,000
Intercontinental Pulp Company Ltd.	3,432,000	1,273,000
Yorkshire Trust Company	<u>908,000</u>	<u>435,000</u>
	22,906,000	7,743,000
Other investment income	<u>44,000</u>	<u>235,000</u>
	22,950,000	7,978,000
Deduct: Administrative expenses	<u>19,000</u>	<u>25,000</u>
Earnings before income taxes and extraordinary item	22,931,000	7,953,000
Income taxes provided	<u>7,000</u>	<u>-</u>
Net earnings before extraordinary item	✓ 22,924,000	✓ 7,953,000
Gain on disposal of investment, net of tax (Note 6)	<u>1,459,000</u>	<u>-</u>
Net earnings	<u>\$24,383,000</u>	<u>\$ 7,953,000</u>

	1979	1979	1978
Net earnings per common share—after reflection of preference share dividend accrual	before extra-ordinary item	after extra-ordinary item	
Basic	\$ 22.35	\$ 23.79	\$ 7.58
Fully diluted (Note 7)	\$ 20.83	\$ 22.27	\$ 7.17

STATEMENT OF RETAINED EARNINGS

Year ended December 31

	1979	1978
Balance, beginning of year	\$12,257,000	\$ 6,431,000
Net earnings	<u>24,383,000</u>	<u>7,953,000</u>
	<u>36,640,000</u>	<u>14,384,000</u>
Less:		
Dividends paid:		
Preference shares	275,000	275,000
Common shares	<u>10,949,000</u>	<u>1,852,000</u>
	<u>11,224,000</u>	<u>2,127,000</u>
Balance, end of year	<u>\$25,416,000</u>	<u>\$12,257,000</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	1979	1978
Source of Working Capital:		
Net earnings before extraordinary item	\$22,924,000	\$7,953,000
Less: Earnings from equity investments (Note 2(a))	<u>22,906,000</u>	<u>7,743,000</u>
	18,000	210,000
Dividends from equity investments (Note 2(a))	5,521,000	2,101,000
Proceeds on disposal of investment, net of tax	<u>5,683,000</u>	<u>-</u>
	<u>11,222,000</u>	<u>2,311,000</u>
Application of Working Capital:		
Additional investment in Yorkshire Trust Company	-	192,000
Dividends paid:		
Preference shares	275,000	275,000
Common shares	<u>10,949,000</u>	<u>1,852,000</u>
	<u>11,224,000</u>	<u>2,319,000</u>
Resulting in a working capital decrease of	<u>\$ 2,000</u>	<u>\$ 8,000</u>

SUMMARY OF CHANGES IN WORKING CAPITAL

	1979	1978	(Increase) Decrease
Current Assets	\$ 919,000	\$ 414,000	\$ (505,000)
Current Liabilities	<u>518,000</u>	<u>11,000</u>	<u>507,000</u>
Working Capital	<u>\$ 401,000</u>	<u>\$ 403,000</u>	<u>\$ 2,000</u>

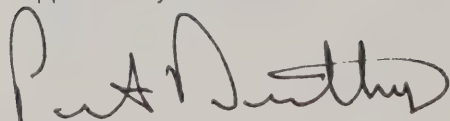
Canfor Investments Ltd.

BALANCE SHEET

December 31

	1979	1978
ASSETS		
Current Assets		
Cash	\$ 2,000	\$ -
Temporary investments, at cost which approximates market value:		
-Preference share dividend reserve fund (Note 3)	413,000	413,000
-Other	500,000	-
Interest receivable	<u>4,000</u>	<u>1,000</u>
	919,000	414,000
Investments		
At equity (Schedule to Financial Statements and Note 2)		
Versatile Cornat Corporation	35,358,000	25,446,000
Prince George Pulp and Paper Limited	13,197,000	8,488,000
Intercontinental Pulp Company Ltd.	9,155,000	7,185,000
Yorkshire Trust Company	5,220,000	4,425,000
At cost		
Credit Foncier Franco-Canadien (Note 6)	<u>-</u>	<u>4,225,000</u>
	<u>62,930,000</u>	<u>49,769,000</u>
	<u>\$63,849,000</u>	<u>\$50,183,000</u>

Approved by the Board



Director



Director

	1979	1978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,000	\$ 11,000
Income taxes payable	<u>507,000</u>	<u>-</u>
	518,000	11,000
Shareholders' Equity		
Share capital (Note 4):		
11% cumulative, redeemable preference shares \$5 par value;		
authorized and outstanding 500,000 shares	2,500,000	2,500,000
Common shares without par value; authorized 3,000,000 shares;		
outstanding 1,013,425 shares	<u>35,415,000</u>	<u>35,415,000</u>
	37,915,000	37,915,000
Retained earnings	<u>25,416,000</u>	<u>12,257,000</u>
	63,331,000	50,172,000
	<u>\$63,849,000</u>	<u>\$50,183,000</u>

Canfor Investments Ltd.

SCHEDULE OF EQUITY INVESTMENTS

December 31, 1978 and 1979

Versatile Cornat Corporation

	1979	1978
Percentage of Outstanding Common Shares Held by the Company	<u>47.65%</u>	<u>48.72%</u>
Results for the Year:		
Revenues	<u>\$416,917,000</u>	<u>\$304,242,000</u>
Earnings:		
Earnings before income taxes, including equity share of net earnings of affiliates	\$ 55,430,000	\$ 31,142,000
Income taxes	<u>23,880,000</u>	<u>13,544,000</u>
Earnings before minority interests	31,550,000	17,598,000
Provision for minority interests (including preference dividends)	<u>8,030,000</u>	<u>8,301,000</u>
Net earnings	<u>\$ 23,520,000</u>	<u>\$ 9,297,000</u>
Equity share of net earnings	<u>\$ 11,207,000</u>	<u>\$ 4,560,000</u>
Carrying Value of Investments:		
Shares at cost to the Company	\$ 16,727,000	\$ 16,727,000
Equity share of earnings since acquisition	<u>22,632,000</u>	<u>11,425,000</u>
	39,359,000	28,152,000
Less: Dividends received since acquisition	<u>4,001,000</u>	<u>2,706,000</u>
Carrying value of investments	<u>\$ 35,358,000</u>	<u>\$ 25,446,000</u>
Summary of Financial Statements:		
Financial position as at December 31:		
Current assets	\$226,611,000	\$133,360,000
Current liabilities	<u>132,425,000</u>	<u>66,672,000</u>
Working capital	94,186,000	66,688,000
Property, plant and equipment, net book value	95,001,000	65,747,000
Investments of guaranteed investment fund	-	-
Other assets	29,285,000	24,496,000
Liabilities of guaranteed investment fund	-	-
Long term liabilities	<u>(123,549,000)</u>	<u>(83,388,000)</u>
Net assets	<u>\$ 94,923,000</u>	<u>\$ 73,543,000</u>
Represented by:		
Share capital and contributed surplus	\$ 41,817,000	\$40,987,000
Retained earnings	<u>53,106,000</u>	<u>32,556,000</u>
Shareholders' equity	<u>\$ 94,923,000</u>	<u>\$ 73,543,000</u>

**Prince George Pulp
and Paper Limited**

1979	1978
<u>50%</u>	<u>50%</u>

\$ 96,180,000 \$ 72,873,000

\$ 26,523,000 \$ 3,132,000
11,804,000 182,000

14,719,000 2,950,000

- -

\$ 14,719,000 \$ 2,950,000

\$ 7,359,000 \$ 1,475,000

\$ 9,158,000 \$ 9,158,000

17,939,000 10,580,000

27,097,000 19,738,000

13,900,000 11,250,000

\$ 13,197,000 \$ 8,488,000

\$ 41,207,000 \$ 25,213,000

33,256,000 25,236,000

7,951,000 (23,000)

56,759,000 57,781,000

- -

11,667,000 12,899,000

- -

(49,984,000) (53,683,000)

\$ 26,393,000 \$ 16,974,000

\$ 10,000,000 \$ 10,000,000

16,393,000 6,974,000

\$ 26,393,000 \$ 16,974,000

**Intercontinental Pulp
Company Ltd.**

1979	1978
<u>37.5%</u>	<u>37.5%</u>

\$ 79,835,000 \$ 58,225,000

\$ 16,637,000 \$ 4,063,000
7,484,000 667,000

9,153,000 3,396,000

- -

\$ 9,153,000 \$ 3,396,000

3,432,000 \$ 1,273,000

\$ 4,834,000 \$ 4,834,000

13,508,000 10,076,000

18,342,000 14,910,000

9,187,000 7,725,000

\$ 9,155,000 \$ 7,185,000

\$ 23,934,000 \$ 19,742,000

17,458,000 17,050,000

6,476,000 2,692,000

53,834,000 53,787,000

- -

11,432,000 12,610,000

- -

(47,323,000) (49,923,000)

\$ 24,419,000 \$ 19,166,000

\$ 8,000,000 \$ 8,000,000

16,419,000 11,166,000

\$ 24,419,000 \$ 19,166,000

Yorkshire Trust Company
(Unaudited) (Note 2 (c))

1979	1978
<u>49.5%</u>	<u>49.5%</u>

\$ 25,003,000 \$ 17,307,000

\$ 2,988,000 \$ 2,078,000
868,000 888,000

2,120,000 1,190,000

145,000 148,000

\$ 1,975,000 \$ 1,042,000

\$ 908,000 \$ 435,000

\$ 3,667,000 \$ 3,667,000

1,884,000 976,000

5,551,000 4,643,000

331,000 218,000

\$ 5,220,000 \$ 4,425,000

\$ 10,753,000 \$ 8,976,000

373,000 427,000

10,380,000 8,549,000

1,152,000 1,029,000

208,652,000 148,987,000

15,000 7,000

(208,652,000) (148,987,000)

(1,580,000) (1,178,000)

\$ 9,967,000 \$ 8,407,000

\$ 4,547,000 \$ 4,747,000

5,420,000 3,660,000

\$ 9,967,000 \$ 8,407,000

Canfor Investments Ltd.

NOTES TO FINANCIAL STATEMENTS

December 31, 1979

1. Corporate Relationship

The Company is a subsidiary of Canadian Forest Products Ltd., which company owns all the issued common shares.

2. Accounting Principles

The following accounting principles have been applied:

- (a) The investments in Versatile Cornat Corporation, Prince George Pulp and Paper Limited, Intercontinental Pulp Company Ltd. and Yorkshire Trust Company are such that they are appropriately accounted for on the equity basis, whereby the Company reflects in its statement of earnings its proportionate share of investee earnings and increases the carrying values of the investments by these amounts. Dividends receivable from these affiliates are accrued as at the dates of record and are deducted from the carrying values of the investments.
- (b) The cost of the investment in Versatile Corporation, acquired in 1975, was \$2,454,000 in excess of the proportionate underlying book values of the assets at the time of acquisition. This amount is attributable to land held by certain of that company's subsidiaries and consequently is not being amortized.
- (c) The cost of the investment in Yorkshire Trust Company, acquired in 1976, was \$1,467,000 in excess of the proportionate underlying book values of the assets at the times of acquisition and was \$46,000 in excess of the proportionate underlying book values at the time of the additional investment in 1978. Of these amounts, \$47,000 is deemed attributable to land and the balance of \$1,466,000 is being amortized on a straight line basis over 20 years. At December 31, 1979, the unamortized amount was \$1,213,000. Equity earnings of Yorkshire Trust Company, reflected in the statement of earnings and schedule of equity investments are after deduction of amortization.
- (d) Interest income is accounted for on the accrual basis.

3. Preference Share Dividend Reserve Fund

Pursuant to the terms of issue of the preference shares, a dividend reserve fund of \$413,000 was created in January, 1976, to provide for payment of dividends to the holders of the preference shares. During the year the fund was used for the payment of preference share dividends of \$275,000 and was subsequently replenished by an equal amount.

4. Share Capital

On or before October 31, 1980, the Company may purchase all or part of the preference shares then outstanding at a price per share not exceeding \$6 and thereafter at the then current redemption price. The Company may redeem the preference shares from October 31, 1980 to October 31, 1985 at prices which range from \$5.50 to \$5.10 per share and at a price of \$5 per share if redeemed after October 31, 1985. In addition, the Company shall purchase, if available, in each year commencing January 1, 1976, up to 25,000 preference shares in the open market at prices not exceeding \$5 per share plus accrued and unpaid dividends and costs of purchase. No shares have been available for purchase at this price to December 31, 1979.

5. Remuneration of Directors and Senior Officers

Directors' fees aggregating \$5,000 were paid in the year (1978—\$3,000.) No other amounts were paid or credited to the directors or senior officers of the Company in the year.

6. Disposal of Investment

In January, 1979, the Company disposed of its common share investment in Credit Foncier Franco-Canadien at a price of \$140 per share for an amount of \$6,184,780 which resulted in a gain of \$1,459,000 net of tax. The disposal of these shares did not impair the asset coverage condition attached to the preference shares.

7. Net Earnings Per Common Share on a Fully Diluted Basis

These lower earnings arise from the existence of warrants issued by Versatile Cornat Corporation for the purchase of common shares of that company at a price less than book value.

AUDITORS' REPORT

To the Shareholders of
Canfor Investments Ltd.

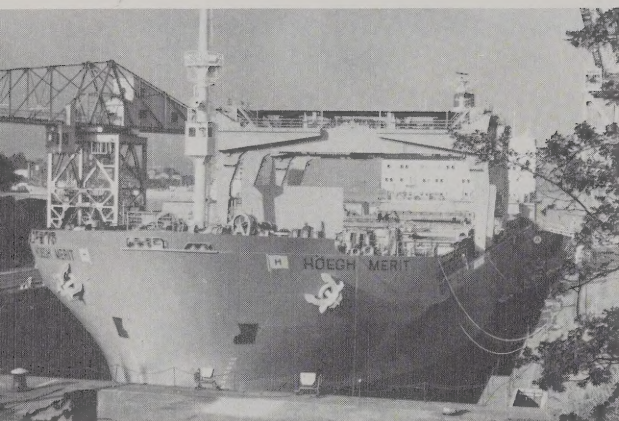
We have examined the balance sheet of Canfor Investments Ltd. as at December 31, 1979, and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Canfor Investments Ltd. and those companies of which we are auditors and which are accounted for by the equity method was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the report of the auditors who have examined the consolidated financial statements of Versatile Cornat Corporation, the investment in which is accounted for by the equity method.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

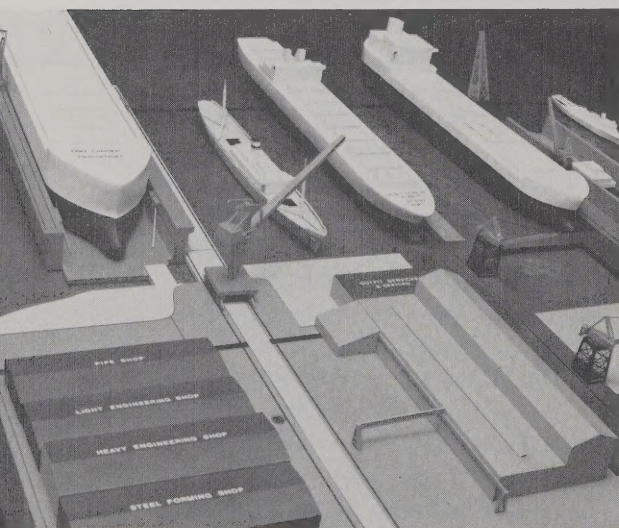
Pricewaterhouse & Co

Chartered Accountants

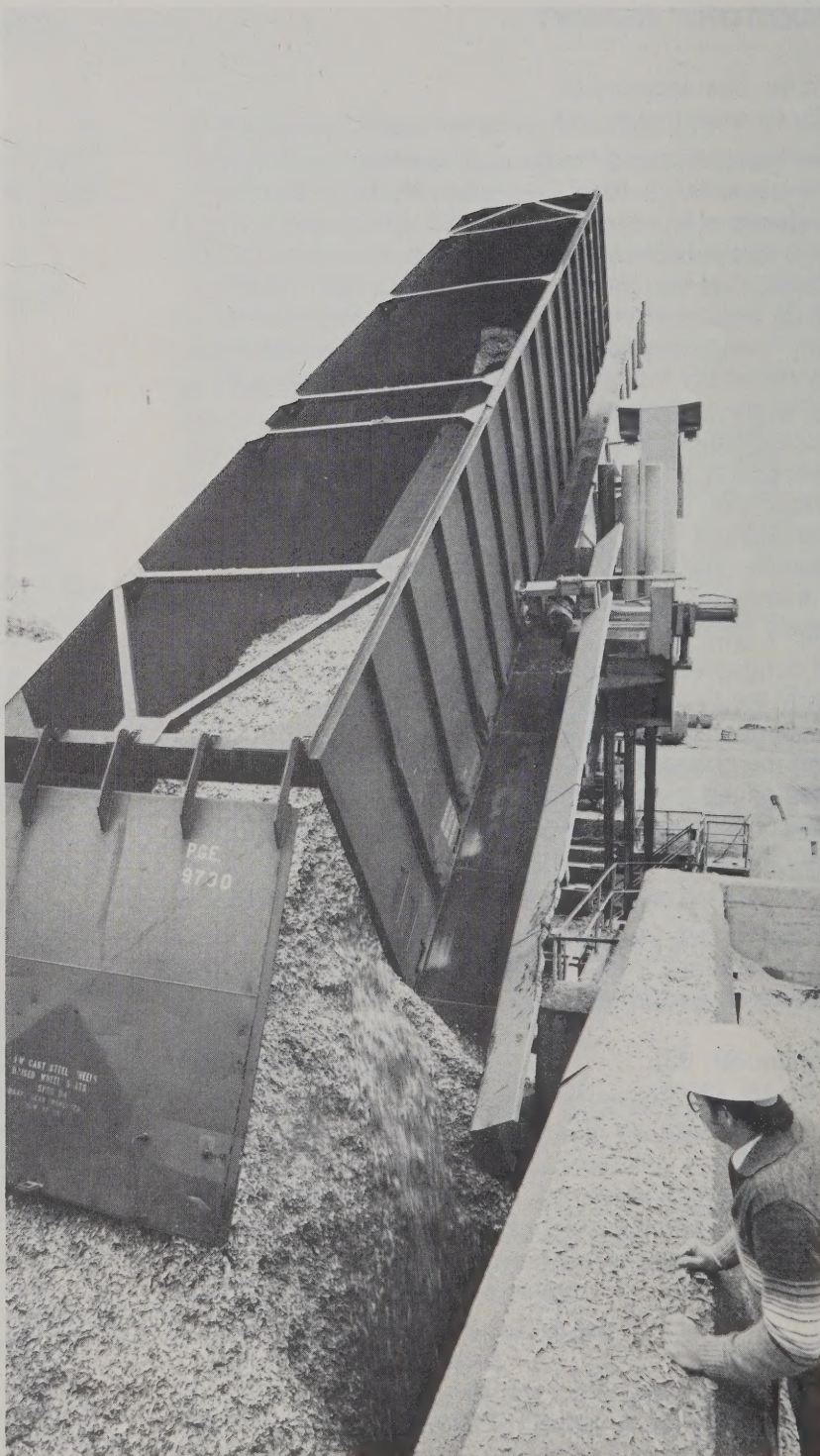
Vancouver, B.C.
April 16, 1980.



Modifications to the Norwegian vessel Hoegh Merit and its sister ship Hoegh Marlin were performed by the Victoria Division of Burrard Yarrows.



A \$63 million deepsea ship repair facility at Burrard Yarrows' Vancouver Division, scheduled for completion in 1981, includes piers, workshops and a 36,000 ton lifting capacity drydock (upper left) which will be the third largest on the Pacific Coast.



Chip handling facilities at the Joint Venture millsite in Prince George include whole railcar and truck dumping.

Corporate data

DIRECTORS

Alexander Gordon Armstrong,
Vice President, Finance and Secretary,
Canadian Forest Products Ltd.,
Vancouver, British Columbia

Leopold Lionel Garrick Bentley,
Vice Chairman, Canadian Forest Products Ltd.,
Vancouver, British Columbia

Peter John Gerald Bentley,
President and Chief Executive Officer,
Canadian Forest Products Ltd.,
Vancouver, British Columbia

Ronald Laird Cliff,[†]
Chairman, Inland Natural Gas Co. Ltd.,
Vancouver, British Columbia

Colin Arthur Charles Dobell,[†]
Vice President and Director,
Wood Gundy Limited,
Vancouver, British Columbia

Joseph Bernard Jarvis,
Director, Canadian Forest Products Ltd.;
Manager, Pacific Sales, Canfor Pulp Sales Ltd.,
Vancouver, British Columbia

John Ronald Longstaffe,[†]
Executive Vice President,
Canadian Forest Products Ltd.,
Vancouver, British Columbia

John Gerald Prentice,
Chairman, Canadian Forest Products Ltd.,
Vancouver, British Columbia

Peter Paul Saunders,
Chairman and President,
Versatile Cornat Corporation,
Vancouver, British Columbia

[†]Members of the Audit Committee.

OFFICERS

John Gerald Prentice,
Chairman of the Board

Leopold Lionel Garrick Bentley,
Vice Chairman

Peter John Gerald Bentley,
President

John Ronald Longstaffe,
Executive Vice President

Alexander Gordon Armstrong,
Vice President, Finance and Secretary

Geoffrey Hart,
Corporate Controller

Richard Frederick Weinman,
Assistant Secretary

HEAD OFFICE

Fifteenth Floor, 505 Burrard Street,
Vancouver, British Columbia V7X 1B5

TRANSFER AGENT AND REGISTRAR

For Preference Shares:

Yorkshire Trust Company,
900 West Pender Street,
Vancouver, British Columbia V6C 1L2
121-8th Avenue S.W.,
Calgary, Alberta T2P 1B4

For Common Shares:

Fifteenth Floor, 505 Burrard Street,
Vancouver, British Columbia V7X 1B5

STOCK EXCHANGE LISTING

Preference Shares Only: Vancouver

BANKERS

Bank of Montreal

SOLICITORS

Lawson, Lundell, Lawson & McIntosh
Vancouver, British Columbia

AUDITORS

Price Waterhouse & Co.,
Vancouver, British Columbia

DIVIDEND PAYMENTS ON PREFERENCE SHARES

Dividends in the amount of 27½ cents per preference share are payable semi-annually on the last days of April and October in each year.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 15, 1980. Shareholders of the Company owning preference shares in the capital of the Company do not have the right to attend or vote at the meeting.

